9-Month Report 2021

(01 December 2020 to 31 August 2021)

SERVICEWARE SE, Bad Camberg

9-Month Report as at 31 August 2021

1.1 Ratios of the Financial Statements as at 31 August 2021

	01 December to 31 August			
In kEUR	**2020/2021**	**2019/2020**	**Variation**	**in %**
Sales revenues	60,982	52,715	8,267	15.7
thereof SaaS/Service	29,460	22,414	7,045	31.4
EBITDA	1,604	1,086	518	47.7
Adjusted EBITDA*	3,801	4,465	-664	-14.9
EBIT	-770	-1,249	479	38.3
Adjusted EBIT*	1,878	2,540	-661	-26.0
Financial result	-101	-143	42	29.1
Earnings before taxes for the period	-872	-1,392	520	37.4
Adjusted earnings before taxes*	1,777	2,397	-619	-25.8
Income tax	264	509	-246	-48.3
Earnings after taxes for the period	-608	-882	274	31.1
Adjusted earnings after taxes*	1,269	1,803	-533	-29.6

Please note: All numbers in this report are rounded arithmetically to thousands. The calculation of totals can lead to rounding differences.

* To improve comparability with the previous year and transparency about the expenses in line with the strategy which was announced at the IPO and implemented thereafter, the EBIT / EBITDA and the results for the period before / after taxes are adjusted.

During the first nine months of fiscal 2020 / 2021, Serviceware SE continued to record a dynamic growth in sales revenues, and its earnings before interest, taxes, depreciation and amortisation (EBITDA) were significantly increased. During the reporting period, the EBITDA improved by 47.7% to EUR 1.6 million. Consolidated sales revenues rose by 15.7% to EUR 61.0 million. In the field of SaaS/Service sales revenues recorded a disproportionately high increase by 31.4% to EUR 29.5 million. During the first nine months, the share of SaaS/Service revenues in total revenues amounted to 48.3% after 42.5% during the prior year period. The further extension of the SaaS/Service business unit is one of the focal points of Serviceware. In this field, the company can rely on high growth potentials which are in line with a shift from one-off licence billing to monthly recurring proceeds. Licence income had a very positive development and rose by 16.9% to EUR 16.5 million. Consequently, Serviceware succeeded, despite ongoing uncertainties and a temporary tightening of the applicable Covid-19 restrictions, in successfully continuing its growth course and coming closer again to the pre-crisis level in terms of revenue growth.

During the reporting period, major strategic goals in view of the long-term growth of the company were achieved and cross-selling potentials and synergies were leveraged on both the level of existing and new customers. Many customers have opted in favour of several modules from the unique ESM platform by Serviceware. The modules Serviceware Financial and Serviceware Performance – the modules for the management of IT and shared services – have been combined and used particularly frequently. Moreover, Serviceware recorded a significantly stronger demand for modules for the quality optimisation of processes, after the demand for modules for the cost analysis of service processes and corporate planning and steering had previously recorded a disproportionate increase, driven by the Covid-19 pandemic.

Apart from the successful gaining of groups and large companies as new customers, the unique ESM platform, with which the company offers a platform for all services, continued to be strengthened. It was supplemented by adding Serviceware Processes 7.0 and Serviceware Financial 6.0. Whereas Serviceware continues to push the automation of financial processes with the release of Serviceware Financial 6.0, the new version of the module for the financial management of IT and shared services, Serviceware Processes 7.0 expedites the digital transformation of company-wide service management through Artificial Intelligence.

Consequently, Serviceware considers that it is very well positioned with a view to long-term growth. The drivers of corporate growth are the trend towards digitalisation and cost transparency in service processes. For fiscal 2020/2021, Serviceware confirms, after the good business development during the first three quarters, the forecast for the full year, which anticipates sales revenue growth by around 10% and a further improved EBITDA.

1.2 Key Events in the Serviceware Group

International activities and highlights from customer projects: During the first three quarters, Serviceware has been able to gain a large number of customer projects in Europe and other geographic regions around the world. This included an increasing number of projects with large companies and groups from many different industries such as logistics, retail trade or automotive. A leading European prefabricated house manufacturer has decided in favour of using the Serviceware platform with the modules Serviceware Processes and Serviceware Resources. The modules convinced the company, more particularly, because of their many functions for a transparent and efficient mapping of company-wide processes and the extensive addition and combination possibilities with the ESM platform. Serviceware Processes and Serviceware Resources supported the customer with the digitalisation of its customer service.

A German specialist publisher opted in favour of the module Serviceware Knowledge. The software solution was implemented in the company within a few weeks and synchronised as well as linked with the back end of the publishing house. With Serviceware Knowledge more than 500 agents in end customer service have access to a uniform knowledge database with which enquiries can be answered consistently in real time across all contact channels.

After 1,500 employees of a large German direct bank, which likewise decided in favour of Serviceware Knowledge, had already access to the module, Serviceware Knowledge was also made available for all customers of the bank on the company's website in a next step. Through an intuitive self-service portal, customers can find answers and solutions for frequently asked questions on the website of the bank on a 24/7 basis.

An international wholesale company relies on Serviceware Financial for the restructuring of its corporate IT. The module helps customers with intelligent analytical tools at the identification of cost drivers. After the concept phase, the gradual implementation has now started. Serviceware Financial permits full cost transparency during budgeting and cost analysis of service processes and helps to significantly reduce costs.

New customer acquisition: Serviceware continued to be successful in recruiting new customers. During the reporting period, the company was able to gain altogether 63 new customers for the ESM platform, including 10 during the third quarter. Serviceware has succeeded, in line with its strategy, in benefiting from further cross-selling potentials and leveraging synergies. Moreover, Serviceware was successful at the acquisition of projects with groups and large companies. The demand for modules for quality improvement has significantly increased, after modules for efficiency enhancement and cost optimisation of service processes had a higher demand at the beginning of the Covid-19 pandemic. The average deal size of Serviceware Processes rose, for instance, during the first nine months by 67% versus fiscal 2019/2020 and for Serviceware Knowledge by around one-quarter.

Serviceware Portfolio: With its unique, innovative ESM platform, Serviceware offers customers a future-proof platform which is upgraded with growing requirements and a high pace of innovation and can be adapted to individual needs. With the ESM platform, Serviceware has a strong offer for all services and an outstanding positioning on the market to support customers at the digitalisation of their service processes and development of their market shares.

During the reporting period, the ESM platform by Serviceware continued to be enhanced. With the release of Serviceware Financial 6.0, Serviceware has launched the new version for the financial management of IT and shared services and has further extended its good market position in the field of financial management. With the release of Serviceware Financial 6.0, Serviceware pushes the automation of financial processes further. The software solution can be seamlessly integrated into existing processes and systems and was extended by adding many new features. Employees can, for instance, use workstreams to automate recurring and labour-intensive workflows, so that an always correct execution and implementation of processes is ensured.

Moreover, with the release of Serviceware Processes 7.0, Serviceware expedites the digital transformation of the company-wide service management driven by Artificial Intelligence (AI). Serviceware Processes 7.0 relies on new AI-based solutions for service centres, with which the productivity in service management is increased and all service processes are significantly accelerated. Serviceware Processes 7.0 allows the automatic classification of service enquiries and makes available answers rapidly by using unstructured data. The quality in processing service enquiries can hence be increased and the response time in answering enquiries can be reduced. Moreover, the messaging and chat solution of smoope has been integrated in Serviceware Processes 7.0. It can be seamlessly integrated into apps and existing websites and allows users a context-related contacting of service organisations. In combination with the release of Serviceware Financial 6.0, Serviceware hence strengthens its position as a leading platform for integrated enterprise service management.

Artificial Intelligence: At Serviceware, Artificial Intelligence is used in a constantly increasing number of applications. Serviceware co-operates in the field of AI with the Technical University Darmstadt. The co-operation has already resulted in the “Solution Assistant”, an AI-based extension for Serviceware Knowledge, as well as the “Content Creation Assistant” and the “Classification Assistant”, both extensions of Serviceware Processes. Through a targeted application of research results, the ESM platform is functionally extended. Due to the integration of Artificial Intelligence, customers are offered with the ESM platform a so far unrivalled degree of automation at the digitalisation of service processes.

Brand, brand image and marketing: The excellent market position of Serviceware was again confirmed by independent analysts. In the study “Vendor Selection Matrix Technology Cost & Resource Optimization – Top Global Vendors 2020” of the research and consulting company Research in Action (RIA), Serviceware reached the first rank in the field of technology cost and resource management. Moreover, Serviceware was elected in the RIA study “Vendor Selection Matrix – IT and Enterprise Service Management: The Top 20 Vendors for the Upper Mid Market in Germany 2021” for the fourth time in a row as best rated vendor. The company again gained top rankings in the recommendation index and the customer satisfaction category, amongst others.

Furthermore, Serviceware Performance achieved extraordinary ratings in the BARC Planning Survey with 30 top ranks and 39 leading positions in four peer groups. Serviceware Performance was rated for the second time as the leading platform for planning, analysis and reporting.

After talks to existing and potential investors as well as capital market events took place primarily virtually and / or over the phone due to the Covid-19 pandemic, an increasing number of events again takes place as physical meetings against the backdrop of the developing vaccination situation in Germany and an increasing normalisation of the business situation.

Investor relations: The management of Serviceware had many talks during the reporting period with existing and potential investors, including a growing number of international investors. During these talks, the management informed about the current strategy as well as the business model of the company. The management always met with a high interest on the part of the investors and was able to increase the group of potential investors by new contacts. At present, the Serviceware share is covered by the research firms Commerzbank and Quirin Bank. The two firms currently classify the Serviceware share as “buy”.

1.3 Business Development

1.3.1. Development of sales revenues

The sales revenues of Serviceware were again increased during the first nine months of fiscal 2020/2021 versus the comparable prior year period. Sales revenues rose by 15.7% to EUR 61.0 million. The strongest growth was recorded by SaaS/Service with a rise by 31.4%. The SaaS/Service sales revenues now account for around 48% of the total sales revenues of Serviceware. This is in line with a shift in the generation of sales revenues from non-recurring high licence fees to monthly recurring subscription fees. Sales revenues from licences were likewise developing positively during the reporting period (+16.9%) and reached EUR 16.5 million. By contrast, maintenance revenues declined by 7.2% versus the prior year period. Maintenance revenues follow in their development with a certain time lag the long-term development of licence revenues which will be partly substituted in the long term due to the trend towards SaaS/Service transactions. Sales revenues break down as follows:

	01 December to 31 August		
In kEUR	**2020/2021**	**2019/2020**	**Variation**
Revenues SaaS/Service	29,460	22,414	31.4 %
Revenues licences	16,489	14,100	16.9 %
Revenues maintenance	15,033	16,201	-7.2 %
	60,982	52,715	15.7 %

1.3.2. Operating income (EBIT, EBITDA)

The positive development of sales revenues during the first nine months of fiscal 2020/2021 is also reflected by a rise in the operating income. The EBITDA (unadjusted) increased versus the prior year period by kEUR 518 from kEUR 1,086 to kEUR 1,604. The EBIT (unadjusted) likewise improved by kEUR 479 to kEUR -770.

The development costs continue not to be capitalised in the balance sheet; they are rather charged directly against income during the period, reducing the result in the profit and loss account. This means that the result figures of Serviceware are only conditionally comparable to companies which capitalise development expenses.

With a view to pushing corporate growth, Serviceware launched the programme for accelerated growth and received for it within the framework of the IPO on 20 April 2018 as a result of a capital increase net inflows of approximately EUR 55 million. These funds are used as planned in a period of three to five years for three growth areas:

- European expansion (around 15% to 25% of the funds)
- Strengthening of the large account sales including supporting marketing (around 10% to 20% of the funds)
- Inorganic growth and extension of the ESM platform (around 65% to 75% of the funds)

In all mentioned areas Serviceware has made significant progress during the past periods and has consistently implemented its programme for accelerated growth. The total expenses of the programme currently reduce the profit for the period but constitute the long-term basis for incremental increases in sales revenues and result in the strengthening of Serviceware's international market position.

To provide a transparent and comparable picture of the use of the expensed funds during the individual periods and show at the same time the accompanying effects on the result, Serviceware reports, in addition to the existing reporting, adjusted values. The adjusted values do not represent IFRS-based ratios and are exclusively used to increase transparency.

During the first three quarters of fiscal 2020/2021, additional expenses were incurred under the above mentioned programme for accelerated growth in the amount of kEUR 2,197 (PY kEUR 3,379) on an EBITDA level and kEUR 2,649 (PY kEUR 3,789) on an EBIT level. They include investments into internationalisation in the amount of kEUR 1,201 (PY kEUR 2,282), temporary integration costs within the framework of inorganic growth of kEUR 844 (PY kEUR 876) and the orientation towards the strategic key account business of kEUR 152 (PY kEUR 222) as well as kEUR 451 (PY kEUR 409), caused by acquisition-related costs and amortisations.[1]

Compared to the previous year, the expenses under the programme for accelerated growth hence dropped on an EBITDA level by 35.0% and on an EBIT level by 30.1%. The variation is essentially attributable to the lower expenses for investments into internationalisation which is essentially under prior year values. The expenses include primarily start-up costs in the form of additional personnel and material expenses to set up our international organisation. The sales success of Serviceware in an international environment means that parts of the organisational units have already completed the start-up phase and no longer have to be adjusted.

The EBITDA adjusted for these expenses amounted to kEUR 3,801 and was under the prior year value of kEUR 4,465. The adjusted earnings before interest and taxes (EBIT) declined versus the prior year period by kEUR 661 to kEUR 1,878. The variation is essentially attributable to the above-mentioned reduction in adjustment for expenses in connection with the internationalisation by kEUR 1,081.

	01 December to 31 August	
In kEUR	**2020/2021**	**2019/2020**
EBITDA (IFRS)	1,604	1,086
Costs in connection with the internationalisation outside DACH	1,201	2,282
Temporary integration costs in connection with inorganic growth	844	876
Costs in connection with key account additions and the related marketing	152	222
Adjusted EBITDA	3,801	4,465
Amortisations and depreciations	-2,374	-2,335
Amortisations of intangible assets capitalised within the framework of company acquisitions	451	409
Adjusted EBIT	1,878	2,540

[1] Purchase price allocation to customer base and brand as well as internally generated intangible assets acquired through the acquisition, which are subject to scheduled amortisation of up to 20 years.

Financial result	-101	-143
Adjusted earnings before taxes for the period	1,777	2,397
Income tax	264	509
Tax effects referred to adjustments	-771	-1103
Adjusted earnings after taxes for the period	1,269	1,803

1.3.3. Financial result

The financial result for the first nine months of fiscal 2020/2021 amounted to kEUR -101 and improved versus the prior year period (kEUR -143) by kEUR 42.

1.3.4. Earnings before taxes

The consolidated earnings before taxes amounted to kEUR -872 (PY kEUR -1,392), which corresponds to an increase of kEUR 520 versus prior year. The adjusted earnings before taxes for the period declined versus the prior year period by kEUR 619 to kEUR 1,777.

1.3.5. Tax expenses

The tax result was essentially influenced by effects from the variation in deferred taxes. During the reporting period tax income in the amount of kEUR 264 arose. During the comparable period of the previous year, tax income of kEUR 509 was recorded.

1.3.6. Earnings after taxes

The consolidated earnings after taxes for the first nine months of fiscal 2020/2021 amounted to kEUR -608. Compared to the prior year period (kEUR -882), this corresponds to a plus of kEUR 274. The adjusted earnings before taxes for the period amounted to kEUR 1,279 (PY kEUR 1,803).

1.4 Balance Sheet as at 31 August 2021

In kEUR	31.08.2021	30.11.2020	Variation	in %
Cash and cash equivalents	35,053	33,836	1,217	3.6
Equity	55,362	55,639	-278	-0.5
Debt capital	57,635	50,997	6,638	13.0
Balance sheet total	112,996	106,636	6,360	6.0

The cash and cash equivalents of Serviceware increased as at 31 August 2021 versus 30 November 2020 (kEUR 33,836) to kEUR 35,053.

The equity of kEUR 55,362 has remained almost unchanged versus the balance sheet date of fiscal 2019/2020 (PY kEUR 55,639). The debt capital amounts on 31 August 2021 to kEUR 57,635. Compared to 30 November 2020, this corresponds to an increase by kEUR 6,638.

An essential driver of the increase in debt capital is the rise in the backlog of orders on the balance sheet date at the end of the reporting period. The order backlog is essentially made up of advance payments received for maintenance and SaaS contracts. A large part of the maintenance and SaaS contracts provides for annual and / or calendar year advance invoicing which is recognised in accounting terms in the current contractual liabilities. The current contractual liabilities increased versus the balance sheet date of 30 November 2020 by kEUR 7,683 to kEUR 23,207. Due to binding contracts, these contractual liabilities represent already fixed future sales revenues of Serviceware which are safely realised within the coming 12 months. The financial liabilities of Serviceware were further reduced by scheduled repayments.

As at 31 August 2021, the balance sheet total added up to kEUR 112,996 (30 November 2020: kEUR 106,636). The equity ratio amounted on 31 August 2021 to around 49%. The equity ratio dropped by approximately 3% versus 30 November 2020 (around 52%). The reduction is essentially due to the above-mentioned balance sheet stretching effect of higher current contractual liabilities.

1.5 Supplementary Report

At the time of drafting of this quarterly report, many countries in Europe are still affected by the pandemic caused by the Corona virus (SARS-CoV-2) and its variants. This continues to have an adverse effect on the business development in the different countries. For that reason, it cannot be currently excluded that the rapid spreading of the virus and its variants will possibly have a negative influence on the financial, earnings and assets position of Serviceware.

1.6 Outlook

At present we are, more particularly in our core markets, still in the middle of the Covid-19 pandemic. Further variants of the Coronavirus (SARS-CoV-2) and the imminent cold season will again result in a high uncertainty this year and, therefore, our forecast for the current fiscal year involves a higher variance than in the past.

Despite these partly difficult framework conditions, we are confident to be able to increase sales revenues during the current fiscal year by an order of magnitude of 10% versus prior year. This presupposes that we will make significant progress in marketing and customer acquisition, also in the markets outside our core market, and that the Covid-19 pandemic will move into the background during the second part of the year due to the progress of vaccinations. If we succeed in this, we expect a further boosting of our sales revenue growth during the coming years.

On the earnings side, we continue to anticipate that we can moderately improve the positive EBITDA (IFRS) and the EBIT (IFRS) compared to the prior year.

Bad Camberg, 22 October 2021

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Dirk K. Martin Harald Popp

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Dr. Alexander Becker

Company Description

Serviceware is a leading provider of software solutions for the digitalisation and automation of service processes (Enterprise Service Management), with which companies can increase their service quality and manage their service costs efficiently.

The core of the portfolio is the Serviceware platform with the software solutions Serviceware Processes (helpLine), Serviceware Financial (anafee), Serviceware Resources (Careware), Serviceware Knowledge (SABIO) and Serviceware Performance (cubus outperform). All solutions can be used in an integrated manner, but also independently from one another.

Serviceware partners with customers from strategic consulting through the definition of the service strategy to the implementation of the enterprise service management platform. Further components of the portfolio are safe and reliable infrastructure solutions as well as managed services.

Serviceware has more than 1,000 customers from various business sectors worldwide, including 5 of the 7 largest German companies as well as 17 DAX companies. The headquarters of Serviceware are in Bad Camberg, Germany. Serviceware employs more than 500 employees at 14 national and international sites. For more information, visit www.serviceware-se.com.

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